

SH SUBMISSION 1



REIWA

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OF WESTERN AUSTRALIA

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19th August 2010

Mr A Jacob MLA
Acting Chair
Community Development and Justice Standing Committee
Parliament House
PERTH WA 6000

ATTENTION: DR BRIAN GORDON

Dear Sir

Thank you for your invitation to REIWA via the President, Alan Bourke, to provide a submission on any matters covered by the terms of reference of your enquiry into social housing in Western Australia.

REIWA was represented on the Social Housing Taskforce and provided input into aspects of the report and recommendations which explored options for increased private sector involvement in the provision of affordable rental housing. We also proposed the idea of a State rent assistance payment to supplement the Commonwealth payment, whose value has been eroded over time.

I have enclosed a copy of our submission to the Taskforce Report for your information.

Please do not hesitate to contact me if you have any questions.

Yours faithfully

A handwritten signature in black ink, appearing to read "Anne Arnold".

ANNE ARNOLD
CHIEF EXECUTIVE

Enc.



**SUBMISSION TO THE REPORT OF THE
SOCIAL HOUSING TASK FORCE
DECEMBER 2009**

INTRODUCTION

The Real Estate Institute of Western Australia (REIWA) is the professional association and advocacy group for real estate professionals in Western Australia.

It is vitally interested in housing affordability in both the owner-occupier and rental markets and participated in the Task Force at the invitation of the Minister because it wishes to assist the Government to ensure that affordability is maintained and enhanced.

BACKGROUND

REIWA believes that affordability in both tenures will soon come under serious pressure once again in Western Australia as the economy recovers from the global financial crisis more rapidly than previously expected. From its high in the December quarter, 2007, the median house price in Perth fell 12% during calendar 2008, but the price will have completely recovered to \$475,000 by the end of December, 2009.

While, according to the Housing Industry Forecasting Group, there is currently equilibrium between the supply and demand for housing as demonstrated by a vacancy rate of 4.6% in the rental market, REIWA believes that this equilibrium will be short-lived in the face of ongoing high rates of population growth and a rebound in the economy.

When one considers that the extraordinary housing boom of 2003-2007 took place while population growth rates were still building and only reached the current rate of 3.1% after the end of the housing price boom, the current confluence of events of a record high median price, continuing low unemployment rate and attendant skills shortage, high population growth and a recovering economy suggests that Government, the property sector and the community are rightly concerned about an emerging and major threat to housing affordability.

DISCUSSION

REIWA supports the recommendations of the Task Force and welcomes the Government's preliminary response to the Report as articulated in the Housing 2020 - Future Directions for Affordable Housing.

We have not commented in detail on the recommendations which relate to aboriginal housing, community housing providers and institutional investment in affordable housing as this is not our area of expertise and other are better qualified to do so.

REIWA particularly welcomes the focus on affordable rather than social housing because we believe that while building more public housing dwellings is a tempting response to the immediate problem of a burgeoning waiting list, in the long run, as we are all well aware, the appetites of governments, Commonwealth and State for new capital expenditure and ongoing maintenance is declining. Further, rent models based on proportion of income of clients, lead to income shortfalls and the inevitable conclusion that these dwellings are not State assets but rather liabilities.

At least part of the answer would seem to be to harness the propensity in Australia of "Mum and Dad" investors to purchase residential property for leasing to tenants and to ensure that these properties are available to those on low incomes at affordable rents.

REIWA is therefore particularly interested in the recommendations relating to the establishment of a private rental brokerage scheme which would see real estate agencies pooling their clients' properties which would be "head-leased" to the Department, occupied by those on the waiting list who are facing affordability issues in the private rental market.

These properties would be leased at below market rents with the Government paying the agents' management fees and guaranteeing a zero vacancy factor for the landlord.

This model takes advantage of the skills and experience of the thousands of private sector professional property managers while leaving Government free to focus on setting the policy framework for such arrangements and providing the social supports for the more disadvantaged client groups.

While we acknowledge that only preliminary work has been done REIWA believes that this model will be attractive to some investors and offers an opportunity to contribute to the housing continuum available to those on low incomes.

We look forward to participating in the further development of the concept and proving it up with our members. An additional incentive in the form of discounted land tax rates for participating investors may assist in making the package more attractive and this should be explored in the implementation plan.

One of the ideas put forward by REIWA during the Task Force consultation period was a rental subsidy scheme under which suitable tenants who were experiencing short term affordability pressures but who had an expectation of increased earnings in time, would have a rent subsidy to allow them to access the private rental market. This subsidy would taper to zero over an agreed period freeing up funds which would then roll over to other qualified recipients. Some preliminary modeling has been done to estimate the cost of such a scheme and more work will need to be done, however it seems likely that a relatively small amount of recurrent funding could leverage access to private rental properties in useful numbers.

REIWA applauds the move to prepare an Affordable Housing Strategy for Western Australia and believes that, in light of the emerging economic and housing market recovery, work on this should be expedited. As outlined in the introduction to this submission REIWA predicts that pressure on housing affordability is likely to increase in the medium term.

We encourage the Government to see the Strategy as the implementation plan for the recommendations of the Task Force and to push on with all the recommendations as soon as possible. There is no "silver bullet" solution to the housing affordability problem and the real value of the Task Force recommendations is that they represent a multi-dimensional and complex response to a complex problem which not only results in the construction of new public housing dwellings but also in access to other sources of supply that are, in the long run, less costly for Government.

It acknowledges that if the Government and community keep doing what we've always done in the public housing arena then we will get what we've always got - insufficient supply, growing waiting lists, poor maintenance and insufficient capital investment.

CONCLUSION

REIWA appreciates the opportunity to participate in the Task Force and to provide comments on its recommendations. The Institute is very interested in the implementation phase and will be pleased to provide access to any relevant research and to advocate the broker model to our members and have them provide expert input to the model.